

Baseline Projections . . . Agricultural Trade Prospects . . . Precision Agriculture . . . Food Prices

Farm Cash Receipts To Dip in 1998 . . .

The U.S. agricultural economy in 1998 is edging down from the record-high income in 1996, with performance expected to be slightly below the 1990-97 average. Market receipts are likely to decline to \$198 billion from a record \$202 billion in 1996 and from \$201 billion in 1997, as lower grain receipts reduce the total return to crops. Livestock receipts will decline slightly as lower hog revenues more than offset a small increase for cattle. With overall production expenses declining a little, held in check by lower interest rates and feed costs, net cash farm income is forecast to decline to about \$52 billion, more than \$2 billion below the average of 1990-97.

Prices of corn and wheat are expected to remain firm in 1998/99. U.S. wheat supplies are expected up only slightly, and for corn, domestic use and exports expand as production increases. Large U.S. and foreign soybean production in 1998/99 is projected to lead to another decline in the season-average farm price. During the first half of 1998, record-high per capita meat and poultry supplies will drive down returns.

. . . While Long-Term Ag Prospects Are Bright, Led by Trade

Strong global trade prospects and a market-oriented domestic agricultural policy combine for a favorable outlook for U.S. agriculture over the next 10 years. In USDA's long-term baseline projections, assumptions of generally favorable global economic growth, combined with liberalized trade associated with the Uruguay Round agreement and unilateral policy reforms, support strong expansion in global trade and in U.S. agricultural exports through the year 2007. Projected economic growth for many developing countries occurs at income levels that can promote increasingly diverse diets and increase demand for meats and other high-value products.



Greater market orientation in the domestic agricultural sector under the 1996 Farm Act puts U.S. farmers in a favorable position for competing in the global marketplace. Strong agricultural demand leads to increased output and strengthening prices, but farm income gains are slightly less than inflation, so real net farm income is down through 2007.

Export markets are the largest source of demand growth for most U.S. crops. Stocks-to-use ratios will tighten for major field crops through 2007, and the historical downward trend in real (inflation-adjusted) crop prices is projected to slow. Record total meat supplies, including an increasing proportion of poultry, are projected through the baseline, with declining real prices for meats.

Precision Ag: Technology for Improved Resource Use

By collecting and analyzing information to tailor production inputs like fertilizers to specific plots within a field, precision agriculture (PA) can improve resource use, increase profits, and reduce environmental impacts of agricultural production. While its promises are attractive, the performance of PA systems remains largely unproven, and its adoption is not yet widespread. Neither the economic nor environmental advantages of PA have been conclusively demonstrated, in part because resource conditions vary so widely from farm to farm and region to region. According to a report by the National Research Council, public functions in PA involve filling critical auxiliary roles—particularly in measurement technology, new approaches to research, and training and education—in an otherwise robust private development of the technologies.

Update on 1998 Food Price Outlook

Consumers are expected to pay between 2 and 3 percent more for food in 1998 than in 1997. If the increase is closer to 2 percent, it could be the smallest rise in the Consumer Price Index (CPI) for food since the early 1990's. Last year's retail food price increase was 2.6 percent.

What determines whether this year's price rise will be closer to 2 or to 3 percent are a number of factors, particularly those affecting the CPI's for meats, and for fruits and vegetables, which account for 19 and 15 percent of the food-at-home index, respectively. For meats, large supplies and dampened prospects for U.S. exports this year will limit price increases. For fresh vegetables, heavy rains in California this past winter are expected to result in periods of short supply and higher prices throughout the spring. Strawberry crops in both Florida and California sustained severe damage from heavy winter rains, and the severity of the price impacts will depend on the duration of the wet weather pattern.